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IMPLEMENTING THE E.U. UNIFIED PATENT COURT: LESSONS FROM THE FEDERAL CIRCUIT

Robert D. Swanson[*]

Abstract

Prior to the creation of the Federal Circuit, the U.S. patent litigation system embodied serious flaws. Differences in opinion between the regional circuit courts led to rampant forum shopping and blatant inconsistency in litigation outcomes. The Federal Circuit has largely solved these problems, but the European patent litigation system today exhibits failures analogous to the pre-Federal Circuit United States. European states have attempted to combat these issues by proposing a Unified Patent Court (UPC). The plan includes specialized courts at both the trial and appellate level with exclusive jurisdiction over patent claims.

There is an abundant literature surrounding the recent history of patent litigation in the United States and the status quo of patent litigation in Europe. However, despite their similarities, no scholarship has ever compared the two, so a significant gap exists in the literature. This Article fills that gap, as it is the first attempt to learn from their comparison. In particular, this Article examines the Federal Circuit's successes and shortcomings, applying these lessons to analyze the UPC proposal in the European Union. The results suggest that the UPC is well designed to duplicate the Federal Circuit's successes by imposing a uniform system across Europe. By denying litigants variation among forums, the UPC would essentially eliminate forum shopping and duplicitous litigation. Finally, this Article identifies several areas where the UPC risks replicating problems in the Federal Circuit, in each case recommending practical solutions that do not require an amendment to the UPC proposal.

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I. INTRODUCTION

The patent litigation system in Europe is broken. Rampant forum shopping,[1] duplicitous litigation,[2] inconsistent judgments,[3] and high costs[4] all characterize the current state of patent litigation in Europe. These problems have been recognized for some time, and there have been various attempts at reform since the 1960s. The latest effort, however, is the most promising. The E.U. Member States have debated the current proposal for over two years, reaching agreements on translation requirements—a major issue in the European Union—and curing inconsistencies with E.U. law.[5] The deal would create a new E.U. Unitary Patent and form E.U. courts with exclusive jurisdiction over all patent cases.[6]

In the mid-twentieth century, the U.S. patent litigation system faced a crisis much like the E.U. crisis today. The regional circuits held widely divergent opinions on substantive patent law issues. For example, one study shows that from 1945–1957, courts were eight times as likely to hold patents valid and infringed in the Fifth Circuit than in the Second Circuit.[7] These disparities in patent protection made it nearly impossible to counsel businesses on patent issues, and the system's unpredictability seriously reduced patent values.[8] In 1982, Congress responded by creating the Court of Appeals for the Federal Circuit, which has exclusive jurisdiction over patent appeals in the United States.[9]

Given the historical similarities in patent litigation between the United States and the European Union, examining the Federal Circuit's accomplishments and failures would provide invaluable knowledge for the European Union as it implements the Unified Patent Court (UPC). This Article compares the Federal Circuit and the UPC proposal to determine whether the UPC can build upon the Federal Circuit's

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[1] STEFAN LUGINBUEHL, EUROPEAN PATENT LAW: TOWARDS A UNIFORM INTERPRETATION 45–73 (2011).

[2] John B. Pegram, *An American View of the Patent System in Europe in 2009*, 91 J. PAT. & TRADEMARK OFF. SOC'Y 594, 601–03 (2009).

[3] David Perkins & Garry Mills, *Patent Infringement and Forum Shopping in the European Union*, 20 FORDHAM INT'L L.J. 549, 549–50 (1996); *see* Gretchen Ann Bender, *Clash of the Titans: The Territoriality of Patent Law vs. the European Union*, 40 IDEA 49, 58–59 (2000).

[4] Michael Schneider, *Patents in Europe and Their Court: Is There Light at the End of the Tunnel?*, *in* 6 PATENTS AND TECHNOLOGICAL PROGRESS IN A GLOBALIZED WORLD 633, 638 (Martin J. Adelman et al. eds., 2009).

[5] Council Draft Agreement 16741/11, Draft Agreement on a Unified Patent Court, of 11 November 2011, Annex [hereinafter UPC]; *see also Unitary Patent/EU Patent*, EUROPEAN PATENT OFFICE, http://www.epo.org/law-practice/legislative-initiatives/eu-patent.html (last visited Feb. 23, 2012).

[6] UPC, *supra* note 5.

[7] Thomas Cooch, *The Standard of Invention in the Courts*, *in* DYNAMICS OF THE PATENT SYSTEM 34, 56–59 (W. Ball ed. 1960).

[8] Rochelle Cooper Dreyfuss, *The Federal Circuit: A Case Study in Specialized Courts*, 64 N.Y.U. L. REV. 1, 6 (1989) [hereinafter Dreyfuss, *Case Study*] (citing *Industrial Innovation and Patent and Copyright Law Amendments: Hearings Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the H. Comm. on the Judiciary*, 96th Cong., 2d Sess. 574–75 (1980) (statement of Sidney A. Diamond, Comm'r of Patents and Trademarks)).

[9] Federal Court Improvements Act of 1982, Pub. L. No. 97–164, 96 Stat. 25 (codified in various sections of 28 U.S.C.). Since *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826 (2002), the Federal Circuit does not have jurisdiction over some appeals of patent disputes. *See infra* Part IV.B.2.

successes and avert some of its shortcomings.

This Article finds that the UPC is well-designed to duplicate the Federal Circuit's achievements. Most significantly, it will unify procedural and substantive patent laws through its centralized courts. The UPC will also avoid some of the Federal Circuit's shortcomings: its technical judges will make the court more responsive to specific industries' needs, its specialized Court of First Instance will allow for more consistent trial outcomes, and its uniform lower courts will prevent an undesirable level of forum shopping at the trial level. However, some concerns endemic to the Federal Circuit are also likely to be present in the Unified Patent Court. The Federal Circuit has exhibited a disturbing level of intra-circuit conflict, and the UPC's institutional design makes it likely that its Court of Appeal will also develop panel dependency absent any corrective measures. In addition, the UPC, like the Federal Circuit, may also be slow to respond to practical criticism. This Article suggests solutions to these concerns that do not require amending the UPC proposal. Instead, the UPC could address these issues by developing appropriate practices in its early years.

Part II contains a brief overview of the European patent litigation system, highlighting its principal flaws. Part III discusses the problems in the U.S. system before the Federal Circuit. Part IV then compares the structure of the Federal Circuit and the proposed Unified Patent Court system. Finally, Part V examines the extent to which the UPC will achieve uniformity and predictability in litigation outcomes, first considering whether the UPC can duplicate the Federal Circuit's successes, and then determining whether the UPC will avoid the Federal Circuit's failures. Part V will also propose various actions the UPC and its judges may consider to ensure the UPC's proper implementation.

II. PATENT LITIGATION IN EUROPE

A. The Territoriality of Patent Litigation

Patent protection in Europe is a territorial matter.[10] Patent rights operate at the national level, and enforcement of those rights occurs in the national courts. In 2012, an individual in Europe wanting patent protection for her invention has two choices: she can either file for a national patent in each country in which she wants a patent right, or she can file for a European patent.[11] While the name "European patent" suggests that it would provide a unitary patent right throughout Europe, this is not the case. Instead, the European patent is a bundle of national patent rights in countries that have ratified the European Patent Convention.[12]

Generally, when a European patent is infringed its holder must independently sue in each national court where she wants the patent

[10] *See* Bender, *supra* note 3, at 52–53, 57–59.

[11] *See How to get a European Patent*, EUROPEAN PATENT OFFICE, http://www.epo.org/applying/european/Guide-for-applicants/html/e/ga_a_iv.htm (last visited Apr. 20, 2013).

[12] European Patent Convention, Oct. 5, 1973, 1065 U.N.T.S. 199 [hereinafter EPC].

enforced.[13] Clearly, this system is incredibly burdensome when infringement occurs across many European countries, as is increasingly common in today's multinational business climate. Patent litigation is expensive and enforcing a bundle of national patents in duplicitous litigation across several European countries only multiplies costs. For this reason, when infringement occurs throughout Europe, a patentee is very unlikely to enforce a European patent in every state.[14] Thus, infringers often can freely violate patent rights without fully compensating patent holders. This is especially true in less populous states where the potential damages a plaintiff can receive are lower than the costs of litigation. In some cases, this situation can be amenable to settlement, but quite often, patent rights simply go unenforced.[15]

B. Cross-Border Adjudication

Despite the fact that patent rights only cover the country in which they are issued, some courts have interpreted complex jurisdictional rules in European treaties and E.U. regulations to take jurisdiction ("competence" in European parlance) over patent causes of action involving other states. One main set of competence rules is the *lis pendens* rules, which attempt to consolidate parallel cases between the same parties in two or more European national courts. The first *lis pendens* rules in Europe were enacted in 1968 in the Brussels Convention, a treaty between the European Economic Community (EEC) Member States.[16] To harmonize laws with non-EEC Member States, the EEC (a European Union predecessor) and five of the then six members of the European Free Trade Association ratified the Lugano Convention,[17] which essentially extends the Brussels Convention rules to its signatories.[18] Finally, in 2000, the European Union passed the Brussels I Regulation, which largely superseded the Brussels Convention and incorporated it as an E.U. regulation.[19]

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[13] *See* EPC, *supra* note 12, at art. 64(3); Bender, *supra* note 3, at 58.

[14] Bruno van Pottelsberghe & Jérôme Danguy, *Economic Cost-Benefits Analysis of the Community Patent* 7–8 (European Commission DG Internal Market, Working Paper, 2009), *available at* http://ec.europa.eu/internal_market/indprop/docs/patent/studies/compact-cost%20-benefit-study-final_en.pdf; Dietmar Harhoff, *Economic Cost-Benefit Analysis of a Unified and Integrated European Patent Litigation System*, 14–18 (Institute for Innovation Research, Technology Management and Entrepreneurship, Final Report, 2009), *available at* http://ec.europa.eu/internal_market/indprop/docs/patent/studies/litigation_system_en.pdf.

[15] Harhoff, *supra* note 14, at 15–16.

[16] Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters, of Sept. 27, 1968, 1972 O.J. (L 299) 32, reprinted in 8 I.L.M. 229 (1969), amended by 1978 O.J. (L 304) 77, amended by 1982 O.J. (L 338) 1, amended by 1989 O.J. (L 285) 1. For the official English-language version, see 1998 O.J. (L 304) 36. Initially, only the original six members of the European Community were bound (Italy, West Germany, France, Belgium, The Netherlands, and Luxembourg). By 1996, nine more countries had acceded to the agreement (Ireland, Denmark, and the United Kingdom in 1978; Greece in 1982; Portugal and Spain in 1989; and Sweden, Finland, and Austria in 1996).

[17] Lichtenstein did not ratify the Lugano Convention.

[18] Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters, of Sept. 16, 1988, 1988 O.J. (C 189) 57.

[19] Council Regulation 44/2001, 2000 O.J. (L 12) 1 (EC) [hereinafter Brussels I]. In effect, the Brussels I Regulation gave regulation status in E.U. law to the Brussels Convention. The contemporary political nature of the E.U. rendered a treaty form of the *lis pendens* rules impractical.

The basic rule of the Brussels I Regulation is that a defendant must be sued in the courts of the state where he is domiciled.[20] There are, however, several exceptions to this rule—those in Article 5(3), Article 5(5), and Article 6(1) being most relevant to patent litigation. The next two Parts will address these exceptions.

1. The Dutch Courts and Cross-Border Injunctions

Article 5(3) of Brussels I provides that "[a] person domiciled in a Member State may, in another Member State, be sued: . . . in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur."[21] As patent infringement is a tort, Article 5(3) seemingly gives plaintiffs in infringement actions the ability to sue in any forum where the patent was infringed. This could include any state where the infringing goods were made or sold. In fact, some courts did take this expansive view, most notably the *Hoge Raad* in the Netherlands. Interpreting identical language in Article 5(3) of the Brussels Convention, the Dutch Supreme Court in 1989 found jurisdiction over foreign defendants. Reasoning that if it has competence over the foreign defendants, it must have the ability to enforce its judgments, the court upheld an order granting a preliminary injunction against a trademark infringement in three different states.[22]

After this ruling, Dutch courts felt free to order cross-border injunctions on the authority of Article 5(3). In a move that, had it continued, may have helped unify European patent litigation outcomes, Dutch courts began exercising extraterritorial jurisdiction over foreign patents and giving injunctive remedies against infringement in other countries.[23] Initially, Dutch courts used this mechanism to protect Dutch patentees. However, by 1994, Dutch courts had interpreted Article 2 to give them competence over actions alleging infringement of foreign patents, so long as the defendant was domiciled in the Netherlands.[24] Soon, the courts extended this principle to Dutch distributors.[25]

Reception of this judicial activism in other European courts was mixed. Germany, traditionally the location of a large percentage of patent suits in Europe, began to adopt the practice.[26] On the other hand, cross-

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Brussels I simplified competence rules by consolidating a number of treaties among various E.U. Member States into one regulation with direct applicability to all Member States but Denmark (Denmark initially opted out, but later concluded an agreement having much the same effect as Brussels I). Given that the Brussels I Regulation and the Lugano Convention are nearly identical and that Brussels I applies in more disputes, this Article will only refer to Brussels I when discussing current jurisdictional issues in Europe.

[20] *Id.* at art. 2(1).

[21] *Id.* at art. 5(3).

[22] HR 24 november 1989, NJ 1992, 404 m.nt (Interlas/Lincoln) (Neth.).

[23] *See, e.g.*, Rb. december 1990, BIE 1992, 78 m.nt (Voerderheck) (Neth.); Rb. 30 december 1991, BIE 1992, 80 m.nt (Philips/Hemogram) (Neth.).

[24] Hof 3 februari 1994, IER 1994, 57 m.nt (Applied Research Systems/Organon) (Neth.).

[25] Rb. 19 januari 1995, (Bard/ACS) (Neth.) (unreported). For a discussion of the case, see John R. Thomas, *Litigation Beyond the Technological Frontier: Comparative Approaches to Multinational Patent Enforcement* 27 LAW & POL'Y INT'L BUS. 277, 300–01 (1996); *see also* Bender, *supra* note 3, at 70–71.

[26] Bender, *supra* note 3, at 72 n.176.

border adjudication was explicitly rejected in the United Kingdom.[27] Fairly quickly, the European Court of Justice (ECJ) put an end to cross-border injunctions under Article 5(3). In *Shevill and others v. Press Alliance*,[28] the ECJ held that Article 5(3) only gives courts competence with respect to damages that occurred in the state where the court sits. In other words, Dutch courts could now only give relief against foreign defendants with respect to damages those defendants caused in the Netherlands.

The reasoning in *Shevill* also put a damper on courts' Article 5(5) jurisdiction. Article 5(5) gives courts competence over disputes arising out of actions by a branch office in the court's country. When multinational corporations had satellite offices in the Netherlands, a patent holder often attempted to sue for infringement in Dutch courts, relying on Article 5(5). But since *Shevill*, courts presumably only have Article 5(5) jurisdiction to give remedies for damages within their state.

2. *Article 6(1) and Roche Nederland BV v. Primus*

Article 6(1) states that "[a] person domiciled in a Member State may also be sued where he is one of a number of defendants, in the courts for the place where any one of them is domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings."[29] Prior to the ECJ's decision in *Roche Nederland BV v. Primus*,[30] patent holders interpreted this Article to allow them to sue all infringers of a particular European patent together in one court, as long as one of the infringers was domiciled in the court's state. The patentees would then ask the court to adjudicate infringement for every foreign patent within the European patent bundle. The court would normally have competence over these claims, but under E.U. choice-of-law rules, it would apply foreign law to the foreign patents.[31] If a court can adjudicate infringement claims, it must have the right to order remedies, including injunctions. Thus, Article 6(1) was used as justification for cross-border injunctions.

In *Roche Nederland BV v. Primus*,[32] the ECJ rejected this line of reasoning. The court focused on the second requirement in Article 6(1): that the claims against each defendant must be so similar that irreconcilable judgments could result from separate proceedings. The ECJ first stated that a European patent is merely a bundle of national patents, and that each national patent is governed by national law. Given that national patent laws and procedures are often quite different from each other, infringement suits based on different national patents do not

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[27] *See* Chiron Corp. v. Organon Teknika Ltd., [1995] EWHC (Pat). 1995 Fleet Street Reports 325 (U.K.).

[28] Case C-68/93, Shevill v. Presse Alliance SA, 1995 E.C.R. I-415.

[29] Brussels I, *supra* note 19, at art. 6(1).

[30] Case C-539/03, Roche Nederland BV v. Primus, 2006 E.C.R. I-6535.

[31] EPC, *supra* note 12, at art. 64(3); Council Regulation 864/2007, art. 8(1), 2007 O.J. (L 199) 40, 45 (EC).

[32] Case C-539/03, Roche Nederland BV v. Primus, 2006 E.C.R. I-6535.

involve the same cause of action, even if they are based on the same European patent. In other words, suits based on national patents stemming from a single European patent are not "so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings."[33] There is no risk of contradictory decisions because the different patents are subject to different laws, even if the same underlying facts are involved. Thus, national courts cannot take jurisdiction over foreign defendants to decide foreign causes of action, even if they are joined with a local defendant in an action on a common European patent.

3. Competence over Foreign Infringement and GAT v. LuK

As stated earlier, Article 2 confers jurisdiction over defendants in courts where they are domiciled. In *Gesellschaft für Antriebstechnik mbH & Co. KG v. Lamellen und Kupplungsbau Beteiligungs KG* (*GAT v. LuK*), the ECJ made it clear that the court had jurisdiction to consider foreign claims as well.[34] Following the *lis pendens* purpose of the Brussels I Regulation, the ECJ held that courts with Article 2 competence over the defendant may decide similar foreign infringement claims (usually ones arising from a common European patent). However, Article 22(4) reserves exclusive jurisdiction over validity decisions to the court where the patent is registered.[35] Thus, the court in *Gat v. LuK* ruled that although courts otherwise having competence can decide questions on *infringement* of foreign patents, they cannot adjudicate the *validity* of those same patents.[36] Accordingly, a defendant who is sued on multiple foreign patents can splinter the action into various national courts by raising an invalidity claim on each patent.

There is still some question regarding what happens to the infringement action once the validity issue is transferred to the appropriate national court. Some commentators believe that the infringement action must be transferred along with the invalidity claim.[37] Others would distinguish based on whether the applicable national law bifurcates the validity and infringement questions.[38] Dutch courts have given the plaintiff the choice between transferring the infringement proceedings or staying the infringement action until the foreign court has decided on validity.[39] However, no matter how courts respond to *GAT v.*

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[33] Brussels I, *supra* note 19, at art. 6(1).

[34] *See* Case C-4/03, Gesellschaft für Antriebstechnik mbH & Co. KG v. Lamellen und Kupplungsbau Beteiligungs KG, 2006 E.C.R. I-6509.

[35] Brussels I, *supra* note 19, at art. 22(4).

[36] "The ECJ merely confirmed that nullity actions against a national part of a certain European patent can only be conducted in the jurisdiction for which that patent was registered." Felix Rodiger, *Cross-border litigation after GAT v Luk and Roche v Primu: the future of the Italian Torpedo*, BIRD & BIRD (Jan. 1, 2009), http://www.twobirds.com/German/News/Articles/Seiten/Cross_border_litigation_after_GAT_v_LuK_and_Roche_v_Primus_the%20future_of_the_Italian_Torpedo.Aspx.

[37] LUGINBUEHL, *supra* note 1, at 103 n.458.

[38] Klaus Grabinski, *Cross-border Injunctions in Patent Litigations Following the ECJ Decision in GAT v. LuK – Life after Death?*, *in* 6 PATENTS AND TECHNOLOGICAL PROGRESS IN A GLOBALIZED WORLD 565, 571–72 (Martin Adelman et al. eds., 2009).

[39] *See, e.g.*, Rb. 21 september 2006, KG ZA 06–694 (Bettacare Ltd./H3 Products BV) (Neth.).

LuK, as long as some national courts can decide some foreign patent issues, litigants will engage in forum shopping.

C. The "Italian Torpedo"

With the amount of forum shopping in European patent disputes prospective defendants often strike first so that they can dictate the forum. As the court first seized always takes precedence over the court second seized,[40] infringers can strategically sue first in the forum of their choosing.

A declaratory judgment action pursuant to this strategic behavior is called an "Italian torpedo."[41] While fora for torpedo actions were initially chosen based on their perceived hostility toward patentees, as the ECJ has cracked down on cross-border adjudication, torpedo actions have increasingly focused on fora where courts are especially slow.[42] Infringers can keep these suits in slow fora (such as Italy or Belgium), deferring injunctions and damage awards to patentees. Further, because the defendants have time on their side, these drawn-out actions often lead to settlements benefiting defendants.[43] Thus, even if the relevant jurisdictional rules require the different national patents to be litigated in their respective national courts, prospective defendants can use Italian torpedoes to force a favorable settlement.

D. Summary

In recent years, the ECJ has significantly limited the availability of cross-border adjudication of patents. While a cross-border preliminary injunction may still be available in some cases,[44] most cross-border adjudication of patent disputes is a thing of the past. Under Article 5(3) post-*Shevill*, a national court can only remedy damages incurred in the state where that court sits. *Roche v. Primus* prevents national courts from taking jurisdiction over foreign defendants to decide issues of foreign patent law,[45] and *GAT v. LuK* allows defendants to keep courts with Article 2 competence over them from fully adjudicating foreign patent disputes because only courts where the patent is registered can rule on its validity.

As such, a patentee wishing to enforce a European patent can sue the infringer for infringement of each national patent where the infringer is

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[40] Brussels I, *supra* note 19, at art. 27(2).

[41] Mario Franzosi, *Worldwide Patent Litigation and the Italian Torpedo*, 19 EURO. INTELL. PROP. REV. 382 (1997).

[42] LUGINBUEHL, *supra* note 1, at 55; Harhoff, *supra* note 14, at 18. For an early explanation of the Italian Torpedo, see Franzosi, *supra* note 41.

[43] *See* Harhoff, *supra* note 14, at 18.

[44] The ECJ recently ruled that Dutch preliminary injunction proceedings fall within the scope of Article 31 of Brussels I, meaning that Dutch (and possibly German) courts can grant cross-border preliminary injunctions in cases with an invalidity counterclaim. Case C-616/10, Solvay SA v. Honeywell Fluorine Products Europe BV, para. 34, http://curia.europa.eu/juris/document/document.jsf?text=&docid=124996&pageIndex=0&doclang=EN&mode=req&dir=&occ=first&part=1&cid=53726; *see also* Grabinski, *supra* note 38, at 565.

[45] The recent ECJ opinion in *Solvay v. Honeywell*, Case C-616/10, reinforces this reading of *Roche v. Primus*.

domiciled. The defendant can then raise a validity issue and send each national patent to a separate proceeding in the respective national courts. Therefore, most major patent disputes result either in a great amount of duplicitous litigation, or in no enforcement at all. While the decrease in cross-border adjudication has limited forum shopping somewhat, patentees still have some choice of forum, and prospective defendants still commence torpedo actions. Obviously, these features of European patent litigation all impose serious costs on the system, including extra litigation costs from duplicitous litigation, innovation costs from patent underenforcement, and an unpredictable business climate from forum shopping. Change is therefore necessary.

III. PATENT LITIGATION IN THE UNITED STATES BEFORE THE FEDERAL CIRCUIT

The crisis facing the European patent litigation system in many ways parallels the state of patent litigation in the United States before the establishment of the Federal Circuit. Like Europe today, U.S. patent law before 1982 was characterized by a lack of uniformity.[46] Regional circuits held to widely divergent interpretations of the law, such that some gained reputations for being pro-patent (the Fifth Circuit) and others were known as being particularly harsh for patentees (the Second Circuit).[47] The Supreme Court rarely resolved these circuit splits.[48] Further, when it did take a case, the Court often resolved it against patent rights, provoking disputes with Congress, which generally favored patentees.[49]

As a result, Congress revised the patent statutes in 1952.[50] This created more opportunities for circuit splits because the circuit courts varied in their interpretations of the new statute. These regional differences encouraged forum shopping by plaintiffs, as patentees could greatly increase their chances by filing in particular circuits.[51] Ultimately, this resulted in incredible unpredictability for businesses because a patents' value could change nearly tenfold based on where a suit was filed.[52]

The current status quo in Europe mirrors this regional variance, with European national courts taking the place of U.S. Circuits. Duplicitous litigation in the United States was less common than it is now in

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[46] Commission on Revision of the Federal Court Appellate System, Structure and Internal Procedures: Recommendations for Change 15, reprinted in 67 F.R.D. 195, 217–20 (1975) [hereinafter Hruska Commission]. The Hruska Commission reported on, among other subjects, uniformity problems in the pre-Federal Circuit federal circuit court system. For a more thorough discussion of the Hruska Commission and the issues, see Martin J. Adelman, *The New World of Patents Created by the Court of Appeals for the Federal Circuit*, 20 U. MICH. J.L. REFORM 979, 982 n.12 (1987).

[47] *See* Dreyfuss, *Case Study*, *supra* note 8, at 7.

[48] *See id.* at 6; Hruska Commission, *supra* note 46, at 217–20.

[49] *See* Adelman, *supra* note 46, at 984–86.

[50] Patent Act of 1952, Pub L. No. 82-593, 66 Stat. 792 (1952) (codified in scattered sections of 35 U.S.C.).

[51] *See* Hruska Commission, *supra* note 46, at 217–20; Dreyfuss, *Case Study*, *supra* note 8, at 6–7.

[52] Dreyfuss, *Case Study*, *supra* note 8, at 7.

Europe—mainly because the United States has always had a unitary patent right, unlike the separate national patent rights of a European patent—but repetitive litigation did occur prior to the Federal Circuit.[53] The jurisdictional rules in Europe, however, sometimes *require* parallel litigation in national courts. Although these rules theoretically decrease the incentives for forum shopping, torpedo suits persist. Thus, the problem in the United States was characterized by slightly more forum shopping than is now seen in Europe, but European patent litigation requires much more duplicitous litigation than the pre-Federal Circuit U.S. system.

These problems—forum shopping and parallel litigation—manifest themselves in lower patent values. Prior to the Federal Circuit, growth in U.S. patenting and R&D spending were mostly stagnant, while it was rising at the same time in Europe and Japan.[54] In the United States, this trend was largely the result of significant uncertainty in patent law; the applicable rules varied widely between circuits, and businesses rarely knew where patents were likely to be litigated.[55] Furthermore, courts' general hostility toward patent rights and the perceived inconsistency with which the Patent and Trademark Office issued patents eroded the presumption of validity.[56] Therefore, businesses underinvested in innovation and patent protection, and national economic potential suffered as a result.[57]

In contrast with the pre-1982 United States, European patent litigation burdens the economy more because of its unnecessary costs. Although the market suffers from significant uncertainty, duplicitous litigation multiplies costs. If a patentee wants to enforce her patents across Europe she can initially sue on those patents in one court, but as soon as the defendant counterclaims for invalidity (which any sophisticated defendant will do) the suit must then be litigated in nearly thirty different national courts. While parallel suits can share some costs, like discovery expenses, patentees nonetheless incur extra costs, such as attorney fees for appearances in each national court. Understandably, these superfluous costs put an additional strain on any innovative business in excess of the costs associated with forum shopping and torpedo suits.

In sum, Europe faces many of the same challenges that the United States dealt with in the early 1980s, albeit in somewhat different degrees. The overarching problem is a lack of uniformity. In Europe, different national courts follow different substantive patent laws and interpret similar laws differently, while in the United States the regional circuits interpret uniform national laws in shockingly divergent ways.[58] This lack

[53] *See id.* at 8.

[54] Robert Hunt, *Patent Reform: A Mixed Blessing for the U.S. Economy?*, BUS. REV. Nov.-Dec. 1999, at 15, 16.

[55] *See* Adelman, *supra* note 46, at 985.

[56] Dreyfuss, *Case Study*, *supra* note 8, at 6.

[57] *See* Adelman, *supra* note 46, at 984; Richard Linn, *The Future Role of the United States Court of Appeals for the Federal Circuit Now That It Has Turned 21*, 53 AM. U. L. REV. 731, 733–35 (2004).

[58] *Compare* Harhoff, *supra* note 14, at 14–18 (articulating the costs from the lack of uniformity in Europe), *with* Dreyfuss, *Case Study*, *supra* note 8, at 6–7 (expounding on the lack of uniformity in the pre-Federal Circuit United States).

of uniformity led to significant forum shopping in the United States and while similar issues exist in Europe, duplicitous litigation is the principle problem.

As the Federal Circuit approaches its thirtieth anniversary, much has been written regarding its successes and failures. Given their common goal of uniformity and many shared shortcomings, Europe would be wise to look to the U.S. experience with the Federal Circuit in reforming its patent litigation system.

IV. THE STRUCTURE OF THE FEDERAL CIRCUIT AND THE PROPOSED UNIFIED PATENT COURT

A. The Federal Circuit

The Federal Circuit, created in 1982,[59] has exclusive subject matter jurisdiction over patent appeals from all trial courts.[60] Litigants in the Federal Circuit can appeal adverse decisions to the Supreme Court of the United States.[61] As with nearly all other cases, the Supreme Court has discretion to hear or reject the case. The Supreme Court does not take many appeals from the Federal Circuit, although the Court has been increasingly active in patent law the last few years.[62] In practice, except for a small number of cases where patent counterclaims are appealed to the regional circuit courts, the Federal Circuit is the final arbiter of nearly all patent law issues.

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[59] The Federal Court Improvements Act of 1982 (FCIA) created the Federal Circuit. Pub. L. No. 97-164, 96 Stat. 25 (1982) (codified in scattered sections of 2, 5, 7, 10, 15,16, 18, 19, 22, 25, 26, 28, 30, 31, 33, 35, 40, 41, 42, 44 & 50 app. U.S.C.).

[60] 28 U.S.C. § 1295(a)(2006). While the Federal Circuit initially took jurisdiction over all patent claims, including counterclaims, the Supreme Court in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc,* 535 U.S. 826 (2002), ruled this a misinterpretation of the court's jurisdiction. After *Holmes Group*, the Federal Circuit's jurisdiction is limited to appeals of patent claims. Cases involving only permissive patent counterclaims are appealed to the regional circuit courts. *See* Larry D. Thompson, Jr., *Adrift on a Sea of Uncertainty: Preserving Uniformity in Patent Law Post-*Vornado *Through Deference to the Federal Circuit*, 92 Geo. L.J. 523 (2004) (discussing further *Holmes Group* and its potential consequences for continued uniformity in patent law). So far, however, these fears have not materialized, as very few cases failing to arise under the patent statutes have been appealed to the regional circuits. For two examples of cases that have, see Schinzing v. Mid-States Stainless, Inc., 415 F.3d 807 (8th Cir. 2005), and County Materials Corp. v. Allan Block Corp., 502 F.3d 730 (7th Cir. 2007). Congress addressed this oddity in the American Invents Act, bestowing the Federal Circuit with exclusive jurisdiction over patent counterclaims in federal court. America Invents Act, Pub. L. No. 112-29, § 19 (2011) (codified in various sections of 28 U.S.C.). However, patent counterclaims in state court can remain in state court, as contemplated by Air Measurement Technologies v. Akin Gump Strauss Hauer & Feld LLP, 504 F.3d 1262 (Fed. Cir. 2007). Thus, overall, uniformity is maintained by the Federal Circuit, albeit with a few minor exceptions.

[61] 28 U.S.C. § 1254.

[62] Lawrence M. Sung, *In the Wake of Reinvigorated U.S. Supreme Court Activity in Patent Appeals*, 4 J. BUS. & TECH. L. 97, 99-100 n.4. (2009). For cases since 2009 showing that the trend identified by Sung has continued, see Prometheus Labs. Inc. v. Mayo Collaborative Servs., 626 F.3d 1347 (Fed. Cir. 2010), *cert. granted*, 131 S.Ct. 3027 (2011); Hyatt v. Kappos, 625 F.3d 1320 (Fed. Cir. 2010), *cert. granted*, 131 S.Ct. 3064 (2011); Novo Nordisk A/S v. Caraco Pharmaceutical Labs., Ltd., 601 F.3d 1359 (Fed. Cir. 2010), *cert. granted*, 131 S.Ct. 3057 (2011); Global-Tech Appliances v. SEB, 131 S.Ct. 2060 (2011); Microsoft Corp. v. i4i Ltd., 131 S.Ct. 2238 (2011); Bilski v. Kappos, 131 S.Ct. 3218 (2010).

B. The Unitary Patent and the Unified Patent Court

There are two main components to the proposed reforms of the European patent litigation system: the European patent with unitary effect (unitary patent) and the Unified Patent Court (UPC). This Article discusses each in turn.

The unitary patent proposal takes the form of an E.U. regulation.[63] It requires a qualified majority of votes, as is standard practice in the European Union, and if it is enacted, it will cover the entire European Union. The unitary patent thus equips the patentee with a single patent that provides rights in all E.U. Member States.[64] However, the unitary patent does not replace the existing patent rights.[65] In other words, a prospective patentee can still file for a national patent in any Member State or he can seek a European patent.

Even without the accompanying Unified Patent Court, the unitary patent is still highly significant. The unitary patent is incorporated into E.U. law, whereas the European patent was created by a treaty known as the European Patent Convention (EPC).[66] Therefore, without the UPC, the ECJ could consider issues related to unitary patents, including patentable subject matter, novelty, obviousness, and infringement.[67] Instead of the current system, where national courts are free to interpret the EPC language differently, codifying the unitary patent would make the ECJ the final arbiter of unitary patent law. The national courts would then be bound to follow the ECJ. Thus, if the UPC proposal fails, the unitary patent is still an improvement over the status quo.

The second component to the patent reform proposals is the Unified Patent Court. The UPC proposal has its heritage in the European and E.U. Patent Court Agreement (EEUPCA).[68] The EEUPCA would have been an international treaty creating a European Patent Judiciary both within and outside the framework of the European Union. At times the court would have to apply E.U. law, but it also would have included countries outside of the European Union. In a recent judicial opinion, the ECJ concluded that the EEUPCA was not compatible with E.U. law.[69] Soon after the ruling, the Hungarian E.U. Presidency introduced the UPC proposal, which was substantially similar to the EEUPCA, but which was

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[63] *Proposal for a Regulation of the European Parliament and of the Council Implementing Enhanced Cooperation in the Area of the Creation of Unitary Patent Protection*, COM (2011) 215 final (Apr. 13, 2011).

[64] *Id.* at 1.2 (explanatory memorandum), art. 3. Currently, Spain and Italy oppose the unitary patent and do not participate in enhanced cooperation.

[65] *Id.* at 1.2 (explanatory memorandum).

[66] Because it was created by a treaty, the European patent is outside E.U. law.

[67] The biotechnology directive, Council Directive 98/44, 1998 O.J. (L 213) (EC), allows the ECJ to consider some of these issues already, insofar as they arise out of the biotechnology directive, but a unitary patent without the UPC would allow the ECJ to rule on these issues for any subject matter.

[68] Council Draft Agreement 7927/09, European and Community Patents Court Draft Agreement, of 23 March 2009, Annex.

[69] ECJ Opinion 1/09, Opinion delivered pursuant to Article 218(11) TFEU, ECJ (not yet published), Aug. 03, 2011, *available at* http://curia.europa.eu/juris/celex.jsf?celex=62009CV0001&lang1=en&type=NOT&ancre=.

responsive to the ECJ's concerns.[70] Among other changes, the UPC now only applies to E.U. Member States, although it is still a treaty that Member States must ratify through typical treaty processes.

Given that the European Council borrowed much of the UPC proposal's content from the EEUPCA, most Member States agree on its substance. According to *Bloomberg*, Poland's European Affairs minister has stated that "essentially the whole package is negotiated, it's final."[71] Additionally, the European states have recently reached agreement on the principal remaining issue in the UPC proposal—the location of the Central Division of the Court of First Instance.[72] The following Parts will thus discuss some details of the proposal.

1. The Proposed Courts

The UPC proposal creates a Court of First Instance and a Court of Appeal.[73] As their names indicate, the Court of First Instance hears cases at the trial level, and litigants can appeal adverse decisions to the Court of Appeal.[74]

The Court of First Instance encompasses several courts, including a central division, local divisions, and regional divisions.[75] The UPC proposal only establishes the central division,[76] which has a few special responsibilities, such as exclusive competence over non-infringement declaratory judgments, revocation claims, and appeals of European Patent Office (EPO) decisions.[77] Individual Member States have the option to set up a local division of the Court of First Instance.[78] Although this article will discuss jurisdiction in more detail below, these local divisions are analogous to federal district court districts in the United States. Patent suits in states with local divisions are generally heard by the local divisions rather than the central division.[79] If a Member State has a particularly large number of patent suits, the state can create up to three total local divisions.[80]

In addition to local divisions, two or more Member States may set up a regional division, which functions similarly to a local division, except that it covers multiple states.[81] Regional divisions are intended to allow groups of smaller states to enjoy the benefits of having a local division, such as enhanced self-determination, even though each state alone does not generate enough patent cases to have its own local division.

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[70] UPC, *supra* note 5.

[71] Jones Hayden, *Agreement on EU-Wide Patent Unlikely This Year, Poland Says*, BLOOMBERG, Dec. 16, 2011, *available at* http://www.bloomberg.com/news/2011-12-16/agreement-on-eu-wide-patent-unlikely-this-year-poland-says.html.

[72] European Council, EUCO 76/12, at ¶ 3, Jun. 29, 2012, *available at* http://consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/131388.pdf.

[73] UPC, *supra* note 5, at art. 4(1).

[74] *Id.* at art. 15a.

[75] *Id.* at art. 5(1).

[76] *Id.* at art. 5(1a).

[77] *See infra* Part IV.B.2. (discussing the special responsibilities of the central division).

[78] UPC, *supra* note 5, at art. 5(2).

[79] *Id.* at art. 15a.

[80] *Id.* at art. 5(3).

[81] *Id.* at art. 5(5).

2. *Unified Patent Court Jurisdiction*

The UPC proposal gives the UPC exclusive competence over essentially all patent issues.[82] The jurisdictional portion of the proposal explicitly lists the actions over which the court can exercise jurisdiction.[83] In particular, the court has exclusive competence over: (1) actual or threatened infringements, including related defenses and license-based counterclaims,[84] (2) non-infringement declarations,[85] (3) preliminary injunctions,[86] (4) patent revocations,[87] (5) revocation counterclaims,[88] (6) damages actions based on provisional protection by a published patent application,[89] (7) prior user rights,[90] (8) license compensation actions,[91] and (9) EPO decisions.[92] The national courts have jurisdiction over all other patent claims not explicitly reserved to the UPC.[93] In practice, the above list of patent actions will cover nearly any suit requiring legal analysis of a unitary patent, so the national courts will rarely hear patent-based controversies.

The UPC proposal confers exclusive jurisdiction over these patent actions in the court, stripping competence from any courts that previously had jurisdiction. However, the proposal does not give jurisdiction to the court over other claims arising from these patent disputes. Thus, if a corporation brings an infringement claim in the UPC and the defendant makes a (non-license) contract counterclaim, the contract counterclaim must presumably be severed and heard by a competent national court, even if it stems from the same facts as the patent claim. Similarly, if a company brings a contract claim in a national court and the defendant brings an infringement counterclaim, the national court does not have competence over the counterclaim and the UPC does not have competence over the contract claim. Thus, the infringement claim must be separated from the contract claim and brought in the UPC. This system will result in some inefficiency when a patent claim and a non-patent claim share a set of similar facts, but these jurisdictional rules ensure that the UPC will hear nearly all patent-related actions.

At the trial level, the central division has exclusive competence over non-infringement declaratory judgments, revocation claims, and appeals of EPO decisions.[94] Local and regional divisions can hear all other actions within the UPC's competence.[95] When a defendant brings a revocation counterclaim before a local or regional division in response to

[82] *Id.* at art. 15.
[83] *Id.*
[84] *Id.* at art. 15(1)(a).
[85] *Id.* at art. 15(1)(a1).
[86] *Id.* at art. 15(1)(b).
[87] *Id.* at art. 15(1)(c).
[88] *Id.* at art. 15(1)(c1).
[89] *Id.* at art. 15(1)(d).
[90] *Id.* at art. 15(1)(e).
[91] *Id.* at art. 15(1)(f).
[92] *Id.* at art. 15(1)(g).
[93] *Id.* at art. 15(2).
[94] *Id.* at art. 15a(3)–(3a).
[95] *Id.* at art. 15a(1)–(2).

an infringement action, the court, in its discretion, can refer the counterclaim to the central division,[96] refer the entire case to the central division (with the parties' consent),[97] or proceed with both the infringement claim and revocation counterclaim.[98] Moreover, if a patentee brings an infringement suit while a revocation action is pending, the concerned local or regional division has the same discretion as described above.[99]

To combat Italian torpedoes, all non-infringement declaratory judgments must be brought before the central division. Furthermore, the rules provide that the central division must stay declaratory actions for non-infringement once the patentee brings an infringement suit.[100] Therefore, the patentee's choice of forum trumps the infringer's, and the infringer cannot shop for a friendly forum for a non-infringement declaratory action, as the central division hears all such claims.

The Appeals Court has jurisdiction over all adverse final decisions from the Court of First Instance, in addition to some appeals of specific interlocutory orders.[101] The UPC proposal explicitly allows for appeals on both legal and factual matters.[102]

3. *Unified Patent Court Judges*

A Court of First Instance typically sits in panels of three judges.[103] These panels must always be multinational.[104] If a Member State averages more than fifty patent cases per year in the three years prior to the UPC agreement, its local division's panels must have two nationals of that Member State and one foreign judge.[105] In Member States with fewer than fifty patent cases, local division panels are made up of one national and two foreign judges.[106] Panels of regional divisions are comprised of two judges from a regional pool and one foreign judge.[107] The foreign judges are allocated from a central Pool of Judges by the President of the Court of First Instance based on their legal expertise, language skills, and relevant experience.[108]

The UPC proposal distinguishes between two types of judges: legally qualified judges and technically qualified judges. Legally qualified judges must possess the same qualifications any national judge must satisfy for appointment to office in the respective Member State.[109] These judges have the typical legal qualifications—a legal degree, some

[96] *Id.* at art. 15a(2)(b).
[97] *Id.* at art. 15a(2)(c).
[98] *Id.* at art. 15a(2)(a).
[99] *Id.* at art. 15a(4).
[100] *Id.* at art. 15a(5).
[101] *Id.* at art. 45(1)–(1a).
[102] *Id.* at art. 45(3).
[103] *Id.* at art. 6(1).
[104] *Id.* at art. 6(1).
[105] *Id.* at art. 6(2a).
[106] *Id.* at art. 6(3).
[107] *Id.* at art. 6(4).
[108] *Id.* at art. 6(2a)–(4), and 13(3).
[109] *Id.* at art. 10(2).

successful practice, and prominent legal scholarship.

Technically qualified judges, a concept foreign to the Federal Circuit,[110] must be experts in a particular technical field.[111] They are also required to demonstrate a "proven knowledge of civil law and procedure relevant to patent litigation."[112] Technically qualified judges are likely to have been former patent examiners, patent attorneys, or EPO Board of Appeals members.[113] The UPC proposal intends these judges to be responsible for technical aspects of the case.[114] This includes ensuring that all members of a panel understand the technology at hand.[115] In return, the legally qualified judges must make sure that the technically qualified judges comprehend all legal aspects of the case.[116]

The UPC proposal requires that the Pool of Judges include at least one technically qualified judge with experience in each field of technology.[117] The President of the Court of First Instance, who is a judge elected by his peers to lead the Court's administration, allocates technically qualified judges to cases involving their technological field.[118]

Panels of the central division are comprised of two legally qualified judges from different Member States and one technically qualified judge in the relevant field of technology.[119] The three judge panels in local or regional divisions consist entirely of legally qualified judges.[120] However, any local or regional division panel can request a fourth judge that is technically qualified.[121] In addition, when a local or regional division panel exercises its discretion to take a revocation claim, the President of the Court of First Instance must assign a technically qualified judge to that panel.[122]

V. SUCCESSFULLY IMPLEMENTING THE UNIFIED PATENT COURT

This Part analyzes the Unified Patent Court's chances for successful implementation by comparing it with the Federal Circuit. Included in the discussion are both praises and criticism of the Federal Circuit. Ideally, the UPC will duplicate the Federal Circuit's successes and avoid its failures. This Article ultimately strives to suggest mechanisms by which

[110] 28 U.S.C. § 46(c).
[111] UPC, *supra* note 5, at art. 10(3).
[112] *Id.* at art. 10(3).
[113] LUGINBUEHL, *supra* note 1, at 231.
[114] *Id.* at 231.
[115] *Id.* at 231 n.333.
[116] *Id.* 231–32.
[117] UPC, *supra* note 5, at art. 13(2).
[118] *Id.* at art. 13(3).
[119] *Id.* at art. 6(6).
[120] *Id.* at art. 6(2a)–(4).
[121] *Id.* at art. 6(5).
[122] *Id.* at art. 15a(2)(a). Technically qualified judges are seen as most useful in revocation proceedings. This is because the court must decide whether the patent examiner made the right decision in granting a patent, which is necessarily a technical question. Patent examiners have technical qualifications. When viewed in this context, the U.S. system of having generalist judges review technical decisions by patent examiners is arguably quite strange.

the UPC can achieve its goals of uniformity, predictable litigation outcomes, and low costs.

A. Successes in the Federal Circuit

1. Forum Shopping and Uniform Laws

The Federal Circuit has minimized forum shopping at the appellate level.[123] As nearly all patent appeals go to the Federal Circuit, plaintiffs are no longer likely to forum shop based on which regional circuit interpreted patent laws most favorably. This structure allows the Federal Circuit to impose one uniform interpretation of substantive patent laws.[124] The simplest and most immediate effect of the Federal Circuit was to unify patent law in the United States, so that the same patent is subject to the same rules throughout the United States.

All reasonable expectations indicate that the UPC will achieve similar uniformity in Europe. Not only does it include a Court of Appeal like the Federal Circuit that has competence over all patent appeals, but it also creates specialized trial courts. Moreover, all UPC courts interpret the same harmonized patent laws. These institutional changes should immediately unify patent doctrine. Further, like the Federal Circuit, the Court of Appeal must take all patent appeals, so any inconsistencies in the Court of First Instance will be quickly resolved. Thus, the UPC will eliminate the divergent doctrines that have arisen from national courts applying their own national patent laws and their own interpretations of the European Patent Convention.

Furthermore, the UPC institutional design provides more uniformity than the Federal Circuit. Post-*Holmes Group*, the Federal Circuit only has jurisdiction over patent claims raised in the initial pleading (pleading amendments notwithstanding).[125] This raises the possibility that the regional circuits can adjudicate appeals of patent-related counterclaims. Since the various circuit courts are not bound by each other's decisions,[126] the *Holmes Group* decision could harm uniformity in U.S. patent law.[127] In addition, the Federal Circuit has jurisdiction to decide questions of non-patent law that arise in patent disputes, so it provides additional potential for inconsistent opinions in other areas of law.[128]

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[123] Dreyfuss, *Case Study*, *supra* note 8, at 7; Gerald Sobel, *The Court of Appeals for the Federal Circuit: A Fifth Anniversary Look at its Impact on Patent Law and Litigation*, 37 AM. U. L. REV. 1087, 1090 (1988).

[124] *See* Dreyfuss, *Case Study*, *supra* note 8, at 7.

[125] Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc., 535 U.S. 826 (2002); *see supra* Part IV.B.2.

[126] Thompson, *supra* note 60, at 564–68 n.216.

[127] *See id.* at 568–71.

[128] As 28 U.S.C. § 1295(a)(1) gives the Federal Circuit jurisdiction over appeals "in any civil action arising under . . . any Act of Congress relating to patents," the Federal Circuit has jurisdiction to consider ancillary issues of non-patent law in patent cases. For examples of two antitrust cases decided by the Federal Circuit, see In re Ciprofloxacin Hydrochloride Antitrust Litig., 544 F.3d 1323 (Fed. Cir. 2008), and In re Indep. Serv. Organizations Antitrust Litig., 203 F.3d 1322 (Fed. Cir. 2000). However, when the Federal Circuit decides antitrust issues, it applies the law of the regional circuit in which the district court that initially decided the case sits. Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1068 (Fed. Cir.1998).

The UPC avoids the above problems through its jurisdictional rules. As discussed earlier,[129] the UPC has exclusive competence over all patent claims and counterclaims.[130] The UPC is therefore the only authority on these patent issues. Further, unlike the U.S. system, if a defendant in a non-patent suit brings a patent counterclaim in a national court, it must be dismissed for lack of jurisdiction, and the defendant must raise the claim before the UPC. This prevents the national courts from offering opinions inconsistent with the UPC's interpretation of European patent law. The UPC also does not have competence over non-patent claims related to patent claims (other than some licensing claims and defenses). Therefore, litigants must bring these claims before the national courts with the requisite experience in handling them.

The UPC provides the necessary institutional structure to establish uniformity and to practically end all appellate forum shopping in European patent litigation. There is no reason to believe that the UPC will not enjoy the same success in this area as the Federal Circuit. If anything, the UPC goes further than the Federal Circuit to ensure uniformity in patent cases.

2. *Fast-Paced Development of the Law*

The Federal Circuit's specialization gives it the unique ability to quickly develop substantive patent law.[131] As opposed to a regional circuit, which may decide particular issues once every few years, the Federal Circuit rules on similar issues every few months.[132] This allows the Federal Circuit to refine patent law very quickly. In addition, the Federal Circuit can respond to problems in its earlier decisions more rapidly, as it usually has the opportunity to clarify its rulings within months, whereas a regional circuit might have to wait several years.[133]

On the other hand, some commentators have criticized the court for being slow to comprehend the ramifications of its decisions (and ongoing debates) on the Patent and Trademark Office, lower courts, patent practitioners, and businesses.[134] Critics have noted that the Federal Circuit rarely cites social science research or academic studies,[135] and that it sometimes insulates itself from the practical consequences of its

[129] *See supra* Part IV.B.2.

[130] UPC, *supra* note 5, at art. 15.

[131] Randall R. Rader, *The United States Court of Appeals for the Federal Circuit: The Promise and Perils of a Court of Limited Jurisdiction*, 5 MARQ. INTELL. PROP. L. REV. 1, 3–4 (2001). For the examples of functional claiming and the Doctrine of Equivalents provided by Chief Judge Rader, see *id.* at 6–9.

[132] *Id.* at 4–5.

[133] *Id.* at 9.

[134] *See* Rochelle Cooper Dreyfuss, *The Federal Circuit: A Continuing Experiment in Specialization*, 54 CASE W. RES. L. REV. 769, 772 (2004) [hereinafter Dreyfuss, *Continuing Experiment*]. *See generally* R. Polk Wagner & Lee Petherbridge, *Is the Federal Circuit Succeeding? An Empirical Assessment of Judical Performance*, 152 U. PA. L. REV. 1105 (2004); Matthew F. Weil & William C. Rooklidge, *Stare Un-Decisis: The Sometimes Rough Treatment of Precedent in Federal Circuit Decision-Making*, 80 J. PAT. & TRADEMARK OFF. SOC'Y 791 (1998).

[135] *See* Dreyfuss, *Continuing Experiment*, *supra* note 134, at 780–83. *See generally* Craig Allen Nard, *A Theory of Claim Interpretation*, 14 HARV. J.L. & TECH. 1 (2000).

rulings.[136] This is a legitimate concern, particularly since one supposed benefit of a specialized court is that it should be especially responsive to concerns in the area of law it serves.[137] This Article is not intended to resolve debate on whether the Federal Circuit addresses practical issues in patent law, but the existence of the debate indicates that the Federal Circuit could be doing a better job.

How does the Unified Patent Court garner the benefits of fast-paced jurisprudence development while remaining attentive to practitioners, courts, and businesses? Initially, the UPC's design allows for the same quick development of substantive patent law as the Federal Circuit. The Court of Appeal must take all appeals from the Court of First Instance, so it will likely decide on similar issues at relatively frequent intervals. The expertise of specialized trial courts may decrease the number of appeals compared to the United States, but this effect, if any, will be minor. Specialized courts may be less likely to make mistakes or misinterpret patent law than general courts, but from a practical standpoint, given the amount of money often at stake in patent cases, the losing party will likely take the opportunity to reverse the judgment, even if the chances of winning are small.

The UPC can significantly increase its responsiveness to practical concerns by including technically qualified judges in the Pool of Judges. Presumably, these technically qualified judges will be more in touch with everyday patent practices and businesses' needs, having spent time either serving business clients or in a specialized industry. However, technically qualified judges are not a perfect solution. As these judges serve longer on the bench, they may lose touch with their technical field. After some time, new developments in business may be foreign to long-sitting technical judges.

Fortunately, there are three possible solutions to this problem. First, the Administrative Committee (which oversees the UPC's administration) can watch for this issue, being ready to replace technically qualified judges who lose their technical competence. As judges are appointed for six year terms,[138] the Administrative Committee could potentially reappoint otherwise effective technically qualified judges as legally qualified judges, so long as they possess the required legal credentials. Alternatively, the Administrative Committee could hire more technically qualified replacements.

Second, the European Commission can solicit feedback from practitioners and businesses through surveys and polling. The Internal Market and Services department of the European Commission has been active in evaluating the European Union's performance in various areas of intellectual property, suggesting policy reforms and tracking public opinion. It has a history of conducting surveys of interested parties in patent law, so it has the expertise to analyze the UPC.[139] The European

[136] *See* Dreyfuss, *Continuing Experiment*, *supra* note 134, at 772.
[137] *See* Dreyfuss, *Case Study*, *supra* note 8, at 14–20.
[138] UPC, *supra* note 5, at art. 3(4).
[139] For links to previous Commission studies, see *Studies*, EUROPEAN COMMISSION, http://ec.europa.eu/internal_market/indprop/patent/index_en.htm#studies (last visited Feb. 24, 2012).

Patent Office has also conducted surveys,[140] so it could be another candidate to review the UPC's responsiveness to the practical implications of its decisions. As long as the UPC is attentive to the results of these studies, it can stay abreast of new business concerns.

Finally, the UPC could employ consultants to advise over the practical consequences of its decisions. This role could be similar to that of Advocate-Generals at the ECJ, although one can envision several variations. UPC Advocate-Generals, like ECJ Advocate-Generals, could hear the arguments in difficult cases and write a separate advisory opinion for the court. Alternatively, they could review particular decisions after a certain period of time, examining their practical effects on patent practice and innovation. These reviews could be mandatory or discretionary based on the court's request.

Instead of advising the judges on the correct legal opinion in the case like ECJ Advocate-Generals, the UPC Advocate-Generals would focus on the practical implications of UPC rulings. To ensure that UPC Advocate-Generals are best situated to report on the practical implications of UPC decisions, the position could be temporary (perhaps a year or two), and the UPC could seek individuals active in the business and legal communities. The UPC could even consider individuals without legal qualifications, as they may bring an additional perspective to the court. Alternatively, the UPC could hire Advocate-Generals as special advisors in individual cases where the court is particularly concerned with the practical implications of adopting various legal rules. This would potentially raise conflict of interest issues, but adept court administration can guarantee that hired Advocate-Generals are objective. After all, the U.S. Supreme Court appoints special masters for particular cases and successfully maneuvers any potential conflicts.

Unlike the first two solutions, the addition of Advocate-Generals to the UPC would likely require an amendment to the proposal. If the position is significant enough, the Administrative Committee may not have the discretion to create it without a statutory basis. However, so long as their powers are narrowly circumscribed, the UPC Administrative Committee may have the freedom to employ individuals to serve in Advocate-General-like positions.

In sum, the UPC, through its technically qualified judges will likely be more responsive to practical concerns than the Federal Circuit. Furthermore, there are several steps it can take to become even more responsive, ranging from replacing technically qualified judges who have lost their technical credentials over time to employing outside consultants to advise the court on the practical consequences of its decisions.

[140] For surveys, see *Surveys*, EUROPEAN PATENT OFFICE, http://www.epo.org/service-support/contact-us/surveys.html (last visited Feb. 24, 2012).

3. Industry-Specific Tailoring

A court's ability to see many cases offers another advantage: it can customize patent law for each industry. The Federal Circuit, in ruling on a great number of cases in common industries like biotechnology and electrical engineering, sometimes tailors patent doctrine to the technology at hand.[141] This principle is most clearly illustrated in obviousness issues, as obviousness determinations are highly dependent on the specific industrial context. While obviousness jurisprudence is still somewhat unpredictable,[142] nearly all commentators agree that the Federal Circuit has had a positive effect on obviousness doctrine.[143]

Despite major advances, the Federal Circuit still has its critics. It is commonly argued that the Federal Circuit is too insulated from technological progress, causing it to mishandle emerging technologies.[144] The biotechnology and software industries are areas where the Federal Circuit has especially drawn criticism.[145] These arguments likely have some merit, as the Federal Circuit as an institution is not designed to interact regularly with innovative businesses. Although Federal Circuit judges tend to stay more abreast of new technologies than their regional circuit judge colleagues,[146] there are just not sufficient opportunities for Federal Circuit judges to engage with industry. This can result in some confusion when dealing with new technologies.[147]

The UPC's use of technically qualified judges positively distinguishes it from the Federal Circuit in this field as well.[148] The technically qualified judges will give the necessary scientific context to the legally qualified judges, and will ensure that the court reaches a sensible solution in cases involving complex technology. Moreover, the UPC employs the expertise of technically qualified judges in validity proceedings where it is most needed. Often, the most technical questions arise when patent judges are asked to determine whether a patent is valid, as this demands among other things a determination of whether the invention is patentable subject matter or is nonobvious. Thus, technically qualified judges focus on validity proceedings, while legally qualified judges generally decide whether a patent has been infringed.

However, excluding technically qualified judges from infringement proceedings prevents their use in claim construction. Effective claim construction sometimes requires significant contextual knowledge of an

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[141] *See* Adelman, *supra* note 46, at 991; Jeanne C. Fromer, *The Layers of Obviousness in Patent Law*, 22 HARV. J.L. & TECH. 75, 95–99 (2008).

[142] *See* Fromer, *supra* note 141, at 82–85.

[143] *See, e.g.*, Adelman, *supra* note 46, at 989–94; Dreyfuss, *Case Study*, *supra* note 8, at 8–11.

[144] Dreyfuss, *Continuing Experiment*, *supra* note 134, at 781–82.

[145] *Id.*

[146] *See* Linn, *supra* note 57, at 736.

[147] It could be argued that this dynamic is behind the Federal Circuit's recent disagreements on patentable subject matter issues in software (see *Dealertrack v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012); *Ultramercial v. Hulu*, 657 F.3d 1323 (Fed. Cir. 2011); and *Cybersource v. Retail Decisions*, 654 F.3d 1366 (Fed. Cir. 2011)) and biotechnology (see *Prometheus Laboratories v. Mayo Collaborative Services*, 626 F.3d 1347 (Fed. Cir. 2010), cert. granted, 131 S.Ct. 3027 (2011); *Classen Immunotherapies v. Biogen* IDEC, 658 F.3d 1057 (Fed. Cir. 2011)).

[148] *See supra* Part IV.B.3. (discussing technically qualified judges).

industry, as claims may be written with technical language to avoid certain prior art. While the trial judges in the specialized Court of First Instance hold an advantage in claim construction over generalist trial judges in the United States, a further improvement may be to allow the Court of First Instance to request a technically qualified judge's expertise in claim construction. Implementing this change, of course, would require an amendment to the proposal. However, most infringement suits will likely include a revocation counterclaim, which necessarily brings a technically qualified judge onto the panel. In practice, then, the failure to provide for technically qualified judges in claim construction may not make much of a difference.

Two other solutions proposed above also apply here. To quickly correct any technical mistakes the UPC can consult the European Commission and EPO studies of various emerging industries.[149] In addition, Advocate-Generals from relevant business and legal communities could provide the UPC with useful consultation.[150] Although the UPC must be wary of the regulatory capture problem,[151] both of these options would increase the UPC's interaction with the individuals and businesses it serves, helping it stay in touch with new technological developments as it crafts its jurisprudence in those areas.

4. Uniformity Enhancing Institutional Mechanisms

From its beginning, the Federal Circuit has adopted certain practices to assist it in unifying patent laws. For example, the court employs a "Senior Technical Assistant," who reviews draft opinions for inconsistencies with precedent and for vague language.[152] In addition, the authoring judge for a panel must circulate precedential opinions to all other judges to consider for eight days.[153] In that time, the other Federal Circuit judges check the draft for legal errors.[154] The authoring judge commonly receives comments on the opinion to incorporate into the final product. Sometimes, where there is significant disagreement on an important issue, these circulations will *sua sponte* result in an *en banc* hearing.[155]

Although it is difficult to determine how much effect these institutional norms have on the court's jurisprudence, they should in theory help the Federal Circuit achieve greater patent law uniformity. At the very least, the judges are made aware of each other's opinions, so they can work toward a common solution.

The UPC would be wise to adopt similar institutional norms. The overarching goal of the UPC reform is to unify patent law, so the UPC

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[149] *See supra* Part V.A.2.

[150] *See supra* Part V.A.2.

[151] *See* Clarisa Long, *The PTO and the Market for Influence in Patent Law*, 157 U. PA. L. REV. 1965, 1971 (2009) (discussing the problem of regulatory capture in patent law).

[152] Glenn L. Archer, *Conflicts and the Federal Circuit*, 29 J. MARSHALL L. REV. 835, 836 (1996).

[153] *Id.*

[154] *Id.*

[155] *Id.*

should implement any mechanisms that help reach that goal. The UPC is unlikely to be any more immune than the Federal Circuit from internal inconsistency; therefore, having institutional checks, like opinion circulation or a Senior Technical Assistant, will only ensure that its opinions are consistent.

5. *Leadership in Patent Law*

Before the Federal Circuit's creation, there was a lack of judicial leadership in patent law. More often than not, circuit and trial judges avoided patent cases and did not want to be known as forerunners in patent law. The Supreme Court, uniquely in a position to lead, rarely exercised its authority in the area.[156] This lack of leadership resulted in a directionless patent jurisprudence, with the inconsistencies outlined earlier in this Article.[157]

The Federal Circuit greatly improved this situation. The creation of the court introduced twelve natural leaders in patent law, and in many ways, these Federal Circuit judges have embraced the opportunity. They have imposed uniform legal rules and, through a strong agenda in its early years, have driven patent law to where it is today.[158] District court judges have clearer directions for their decisions, increasing uniformity throughout the system.[159]

However, Judge Linn, a senior Federal Circuit judge, feels that the court can do more.[160] Since trial judges tend to lack expertise in patent law, Linn argues that Federal Circuit judges should actively educate district court judges on how to handle their patent cases.[161] Furthermore, he suggests that the Federal Circuit should expand its interaction with district court judges through judicial training programs and judicial seminars.[162] These interactions would facilitate the exchange of best practices in patent cases and lead to a more effective system overall.[163]

When Federal Circuit judges speak on how they can improve the patent litigation system in the United States, the UPC should listen. Fortunately, the UPC structure is already amenable to interaction between appellate and trial judges. The trial judges, rather than being generalists like in the United States, are specialized patent judges within the same institution as the appellate judges. This structure allows for more direct communication between judges on the Court of Appeal and judges on the Court of First Instance. In addition, Court of Appeal judges can solicit feedback from the Court of First Instance judges on how their rules work in trials and whether change is needed. Further, the Court of First Instance panels draw upon judges from a central Pool of Judges, so

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[156] *See* Dreyfuss, *Case Study*, *supra* note 8, at 6; Hruska Commission, *supra* note 4646, at 217–20.

[157] *See supra* Part V.A.1.

[158] *See generally* Sobel, *supra* note 1233.

[159] *See* Dreyfuss, *Case Study*, *supra* note 8, at 61–62.

[160] *See* Linn, *supra* note 57, at 737.

[161] *Id.*

[162] *Id.*

[163] *Id.*

there should be more interaction between the various regional and local districts.

Nevertheless, the Court of Appeal judges should follow Judge Linn's advice and establish institutional norms conducive to communication. The appellate judges should host judicial workshops and general forums where participants can share knowledge and give feedback. Further, if the Court of Appeal can install itself as the leader in patent law, trial judges will be unlikely to question its rulings. Therefore, the Court of Appeal has great potential to produce new leaders in patent law. To establish a more uniform court system, the Court of Appeal judges should take advantage of this opportunity to direct the Court of First Instance in the future development of patent law.

6. Summary

The UPC is well designed to implement many of the Federal Circuit's successes. First, as the Federal Circuit unified U.S. patent law, the UPC will similarly unify European patent law. The Court of Appeal is the final arbiter of all patent disputes, and, like the Federal Circuit, it will generally promulgate clear rules for lower courts to follow.

Second, the UPC has the opportunity to quickly develop the law, reaching minute details that less specialized courts would rarely consider. The Court of Appeal is likely to be attentive to the practical ramifications of its decisions on lower courts, practitioners, and businesses, one area in which the Federal Circuit could improve. External checks on the Court of Appeal, such as European Commission studies or EPO surveys, could also prove useful. Although the proposal may need to be amended to implement it, the UPC could also hire practitioners and businesspeople from the patent community as Advocate-Generals to make suggestions to the court. Lastly, the UPC proposal's inclusion of technically qualified judges could further help the UPC be more responsive to practical considerations.

While seeing more cases allows the UPC to quickly develop the law, it also affords it the opportunity to tailor its analysis to particular industries. Different industries may require slightly different standards for patentability, and the UPC could conceivably implement such a regime.

Further, the Federal Circuit has been highly successful in creating institutional mechanisms conducive to uniformity. Similarly, the UPC Court of Appeal should consider circulating precedential opinions to all other judges and employing a Senior Technical Assistant to check opinions for inconsistency.

The final success of the Federal Circuit discussed in this Part is its leadership in patent law. Such leadership has allowed patent jurisprudence to greatly improve since its implementation. The UPC should model a similar initiative that involves open communication with judges on the Court of First Instance to reach the most accurate results.

B. Federal Circuit Flaws

1. Specialized Courts of First Instance

Patent cases rely heavily on trial judges. They require massive amounts of discovery,[164] and several early issues such as claim construction have huge effects on the case's outcome.[165] Some scholars have raised the possibility of specialized patent trial courts in the United States.[166] The U.S. court system has embraced this possibility to some extent, instituting a Patent Pilot Program in certain federal district courts.[167] After all, expertise is most needed for early decisions at the trial level.[168] However, because district court judges in the United States vary widely in their familiarity with patent law, the Federal Circuit has had difficulty imposing uniformity.[169] The Federal Circuit has responded to some of these problems by transforming certain factual questions (which require deferential review) into legal questions (which are reviewed *de novo*).[170] Unfortunately, this is not a perfect fix since it blurs the line between factual and legal questions and erodes litigants' trust in district courts. It can also result in more appeals, as losing litigants can have important parts of their cases reviewed entirely anew by the Federal Circuit. In addition, this practice has increased the use of juries, which carry their own inconsistencies.[171]

The UPC, in contrast to the U.S. system, does include specialized patent trial judges. Therefore, the UPC proposal deploys patent expertise where it is most needed—in the Court of First Instance. This court system entrusts trial judges with important factual determinations, and judges more familiar with patent law are likely more apt at making these judgments. Lower court panels can also include technically qualified judges, helping the panels arrive at sensible decisions on patent validity. Thus, the UPC appears to ameliorate the Federal Circuit's inconsistent trial decisions with a specialized Court of First Instance.

However, having specialized courts at both the trial and appellate level could raise new problems. Scholars have criticized the Federal Circuit for being too specialized and falling out of the judicial mainstream.[172] Critics charge the court with failing to harmonize patent

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[164] *See* James Bessen & Michael J. Meurer, *Lessons for Patent Policy from Empirical Research on Patent Litigation*, 9 LEWIS & CLARK L. REV. 1, 2 (2005).

[165] *See* Wagner & Petherbridge, *supra* note 134, at 1119.

[166] *See* Arti K. Rai, *Engaging Facts and Policy: A Multi-Institutional Approach to Patent System Reform*, 103 COLUM. L. REV. 1035, 1097–1101 (2003) (discussing issues related to trial court specialization and advocating specialized patent trial courts in the United States); *see also* Dreyfuss, *Continuing Experiment*, *supra* note 134, at 797–98; Linn, *supra* note 57, at 736.

[167] *District Courts Selected for Patent Pilot Program*, UNITED STATES COURTS, (June 7, 2011), http://www.uscourts.gov/news/newsview/11-06-07/District_Courts_Selected_for_Patent_Pilot_Program.aspx.

[168] *See* Dreyfuss, *Continuing Experiment*, *supra* note 134, at 797–98; Dreyfuss, *Case Study*, *supra* note 8, at 47–48.

[169] *See* Dreyfuss, *Continuing Experiment*, *supra* note 134, at 797–98.

[170] *See, e.g.*, Markman v. Westview Instruments, 52 F.3d 967 (Fed. Cir. 1995), aff'd, 517 U.S. 370 (1996).

[171] *See* Dreyfuss, *Continuing Experiment*, *supra* note 134, at 798.

[172] *Id.* at 780–82.

law with jurisprudential trends in other areas of the law. Therefore, specialization at both levels of the judicial system risks further alienation.[173]

Before becoming too afraid of this alienation, however, it is worth investigating whether generalist judging really is the virtue that most U.S. scholars assume it to be. While this is an entirely separate debate totally outside the scope of this Article, it is nonetheless important to raise the question. Regardless of the answer, the UPC's specialized trial courts will clearly allow the Court of Appeal to give trial judges the deference missing in the United States. Insofar as deference to trial judges' factual determinations is as important a judicial norm as generalist judging, the UPC's two-tiered specialized system may be preferable, especially if it enhances consistency throughout the whole system. At the very least, UPC judges might make a special effort to stay informed of judicial developments outside of patent law to avoid the criticism associated with specialized courts.

2. *Inter-Circuit Versus Intra-Circuit Conflict*

Throughout its thirty years, the Federal Circuit has had serious problems with intra-circuit conflict. Various observers have noticed that Federal Circuit outcomes can exhibit panel dependence, especially in newer issues facing the court.[174] Most recently, this has occurred in patentable subject matter cases,[175] although at least one paper argues that panel dependence exists across most claim construction issues.[176] Panel dependence is counterproductive to uniformity because the litigation outcome depends on which judges the case happens to draw.

Dreyfuss posits that some internal inconsistency is good for patent law because it allows the judges to debate the issues.[177] Internal inconsistency also provides lower courts some opportunity for experimentation. According to the argument, this experimentation will eventually illuminate the optimal legal rule, which may not have been chosen at the outset. While some scholars agree with this premise, most think that panel dependence is too common in the Federal Circuit[178] and that intra-circuit debates are too prolonged.[179]

Taking a step back to look at the Federal Circuit's design, it is not surprising that intra-circuit conflict is common. The combination of regional circuits and discretionary Supreme Court review allows difficult issues to fully percolate through the regional circuits before Supreme

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[173] *Id.* at 798.

[174] *See* Dreyfuss, *Case Study*, *supra* note 8, at 40; Wagner & Petherbridge, *supra* note 134, at 1163–70; Weil & Rooklidge, *supra* note 134, at 799–802. *But see* Ted Sichelman, *Myths of (Un)Certainty at the Federal Circuit*, 43 LOY. L.A. L. REV. 1161, 1161 (2010) (arguing that the Federal Circuit is not "overly predictable or panel-dependent").

[175] *See, e.g.*, *Dealertrack v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012); *Ultramercial v. Hulu*, 657 F.3d 1323 (Fed. Cir. 2011); *Cybersource Corp. v. Retail Decisions*, 654 F.3d 1366 (Fed. Cir. 2011).

[176] Wagner & Petherbridge, *supra* note 134, at 1163–70.

[177] Dreyfuss, *Continuing Experiment*, *supra* note 134, at 775.

[178] *See* Wagner & Petherbridge, *supra* note 134, at 1163–70; Weil & Rooklidge, *supra* note 134, at 799–802.

[179] *See* Dreyfuss, *Continuing Experiment*, *supra* note 134, at 776–77.

Court resolution. The Supreme Court usually allows debates among the circuits to run their course before taking a case and resolving the disagreement.

The Federal Circuit operates somewhat differently. There are no other patent courts with which it can disagree. It must take all proper appeals, so unlike the Supreme Court, which can see how different rules work before promulgating a uniform rule, the Federal Circuit is forced to make a uniform decision at the first opportunity. If the Federal Circuit realizes that a decision on a novel issue was erroneous, it must reverse itself to correct the mistake. Thus, instead of allowing regional circuits to debate novel issues, Federal Circuit panels debate these issues among themselves.

Conversely, the current European system allows for maximum experimentation. National courts adhere to entirely different procedures and (when not harmonized by the EPC) different legal rules. There is much more differentiation between courts in Europe than there was between the regional circuits in the United States pre-Federal Circuit. Further, unlike in the United States, which has the Supreme Court to adjudicate disagreements among the circuits, the European system has no court (at least in patent law) to cure fragmentation.

Thankfully, this absence disappears with the UPC. Like the Federal Circuit, appeals from the lower courts go to the Court of Appeal, which promulgates a uniform rule. However, this structure makes the UPC vulnerable to the same panel dependence experienced in the Federal Circuit. Additionally, there is less room for experimentation because the lower courts are also specialized.

The UPC could fix this problem by crafting special deference rules for novel issues. If disagreement occurs as to the correct rule in the Court of Appeal when a new issue arises, judges can defer to the lower court without clearly creating a legal rule. Thus, when another lower court encounters the same issue, it can use its expertise to act in its best judgment, whether or not it follows the first court. After some time, once the Court of Appeal is convinced of the correct rule, it can stop its deference to the Court of First Instance and lay down a firm ruling.

Two unique aspects of the UPC allow this solution to work. First, the UPC employs specialized trial courts. The patent judges on the Court of First Instance understand how patent trials work, and are thus much better equipped to engage in successful experimentation. Second, the European Union does not recognize the idea of precedent. In Anglo-American law, the principle of *stare decisis* binds the courts to follow their previous holdings. In the European Union, however, courts are free to reverse themselves without sacrificing any legitimacy. While the ECJ typically follows its past decisions for the sake of consistency, it may reverse itself if it desires. Therefore, the UPC Court of Appeal can explicitly defer to the Court of First Instance for a time, until it decides on the optimal rule, when it can then promulgate a clear holding without violating any judicial norms.

Alternatively, the lack of experimentation might not be considered a problem in Europe. In fact, this idea, like *stare decisis*, is mostly foreign

to European courts. However, it may be a concept worth importing. Experimentation enables the court to arrive at the best rule earlier, as the lower courts try alternatives simultaneously. By first deferring to the Court of First Instance and then firmly ruling on the issue, the Court of Appeal can substantially avoid the Federal Circuit's intra-circuit conflict and its inconsistency while still garnering its benefits.

3. *Forum Shopping Among Trial Courts*

Despite the Federal Circuit's extensive harmonization of patent law, the U.S. system still exhibits some forum shopping at the trial level.[180] Some courts are known to be more patent-friendly than others, despite the fact that the same patent laws bind all federal district courts.[181] Litigants in the United States forum shop based on a particular district's experience with patent cases and perceived hostility toward patentees. Ideally, a perfectly uniform system would quash all strategic forum shopping, but this goal has not yet been achieved.

For the most part, the UPC should have more success in eliminating forum shopping at the trial level than the Federal Circuit. The specialized Court of First Instance should make more uniform decisions than the generalist U.S. District Courts, which range widely in their familiarity with patent disputes.[182] This standardization alone should improve uniformity and reduce forum shopping.

Furthermore, having technically qualified judges on most panels will also reduce forum shopping. Some judges that commonly sit in particular divisions may be less familiar with some technologies than others. Normally, litigants would try to take advantage of this fact. However, the UPC proposal ensures that panels confronting especially technical questions will have technically qualified judges. This means that litigants cannot exploit the disparities between divisions in technical familiarity, as is common in the United States. Accordingly, the UPC should largely avoid forum shopping at the trial level.

In addition, the Court of First Instance judges are all assigned from a central Pool of Judges. Although some judges will be assigned more often to cases in certain local and regional divisions based on their language skills, litigants will not be guaranteed that certain judges will be present in a certain division for their case. Thus, given that the UPC will exhibit more variability in judicial assignments than the U.S. system,

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[180] Dreyfuss, *Continuing Experiment*, *supra* note 134, at 770–71.

[181] For discussion on the Eastern District of Texas as a popular forum choice by patentees see Yan Leychkis, *Of Fire Ants and Claim Construction: An Empirical Study of the Meteoric Rise of the Eastern District of Texas As A Preeminent Forum for Patent Litigation*, 9 YALE J. L. & TECH. 193 (2007); Alisha Kay Taylor, *What Does Forum Shopping in the Eastern District of Texas Mean for Patent Reform?*, 6 J. MARSHALL REV. INTELL. PROP. L. 570 (2007).

[182] For example, the Lex Machina database counts 3,877 patent cases filed in the Eastern District of Texas since 2000, 3,707 in the Central District of California, 3,567 in the District of Delaware, and 2,327 in the Northern District of California. By contrast, it shows only 1,953 cases since 2000 in the whole of the Fourth Circuit district courts, 1,814 in Eighth Circuit district courts, and just 1,504 in the Tenth Circuit district courts. The Eastern District of Oklahoma, not far from the Eastern District of Texas, has had only four patent cases since 2000, and the District of Alaska has had only two.

forum shopping at the trial level should be less common in the UPC.

It should be noted that the advocacy proposed in the previous section would encourage some forum shopping. If the Court of Appeal defers to the Court of First Instance panels on certain debatable questions, different judges may adhere to different rules, and litigants could forum shop based on where those judges are likely to be placed. While the judge assignment system reduces this possibility somewhat, some forum shopping will likely persist. The Court of Appeal can be sensitive to this problem when deciding whether or not to employ a deference strategy and defer to trial panels when the issue is less likely to induce forum shopping. At any rate, if the Court of Appeal sees litigants beginning to forum shop based on differences in the Court of First Instance panels, it can step in and unify the law. In the end, the deference strategy could induce some forum shopping, but it would probably be minimal. The Court of Appeal can use its discretion to reduce it further, and the benefits of the deference strategy outweigh the costs of a negligible amount of forum shopping.

4. Summary

This Part highlights several of the Federal Circuit's flaws. Some critics, pointing to the importance of many factual determinations in patent cases, argue that the United States should have specialized patent trial courts. While many argue that generalist judges have advantages, the UPC may be better off with its specialized Court of First Instance. The UPC adds an additional level of specialization with its technically qualified judges, and as long as the Court of Appeal judges remain attentive to legal developments outside of patent law, a two-tiered patent court system should be highly successful. Furthermore, the Federal Circuit has been criticized for mishandling emerging technologies, but the UPC's technically qualified judges should allow the court to avoid this critique.

Second, the Federal Circuit often exhibits intra-circuit conflict. Commentators (and this Article) attribute this problem to the structural lack of room for experimentation. In Europe, there are no judicial norms that favor experimentation, but this Article—albeit from an Anglo-American perspective—argues that the UPC should import the concept. The Court of Appeal should defer to the lower courts' handling of novel issues until it is confident in a particular rule. At that time, the Court of Appeal can make a firm holding. This strategy allows for some experimentation while avoiding intra-circuit conflict.

Third, patent litigants in the United States still often forum shop among trial courts. The UPC should avert this problem through its centralized judge assignment system and its use of technically qualified judges. Although the deference strategy advocated above may create some room for forum shopping, the UPC's design minimizes the potential for harm.

VI. CONCLUSION

Overall, the Unified Patent Court is well situated to capture most of the Federal Circuit's benefits while avoiding its pitfalls. In addition, the UPC can adopt various norms, such as respect for generalist legal developments and initial deference to the Court of First Instance to minimize potential shortcomings.

Thus, the Unified Patent Court proposal, on the whole, boasts an exceptional design. Many mechanisms built into its structure prevent it from repeating the Federal Circuit's errors. Although it is impossible to predict every consequence of switching to a drastically new legal structure, this Article has attempted to identify the most notable ramifications and to suggest possible fixes to avoid negative outcomes. Thankfully, the Unified Patent Court's design is excellent, and through skillful implementation the UPC should be able to avoid any significant defects, indicating a successful reformation of Europe's patent litigation system.